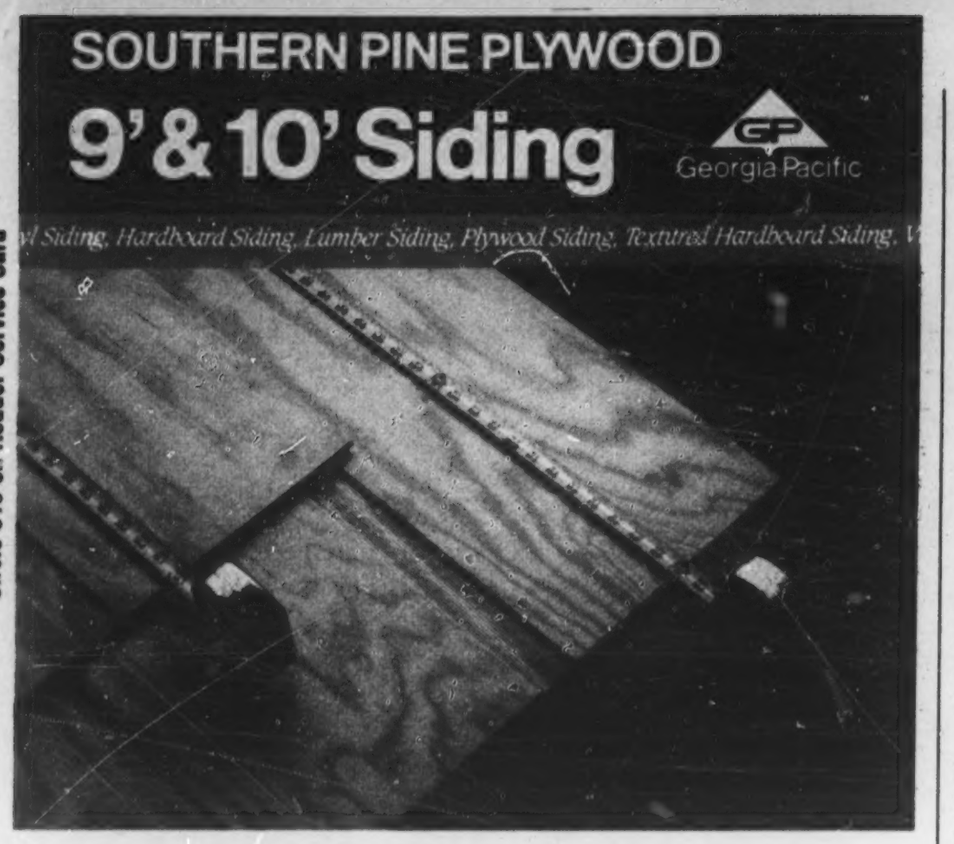
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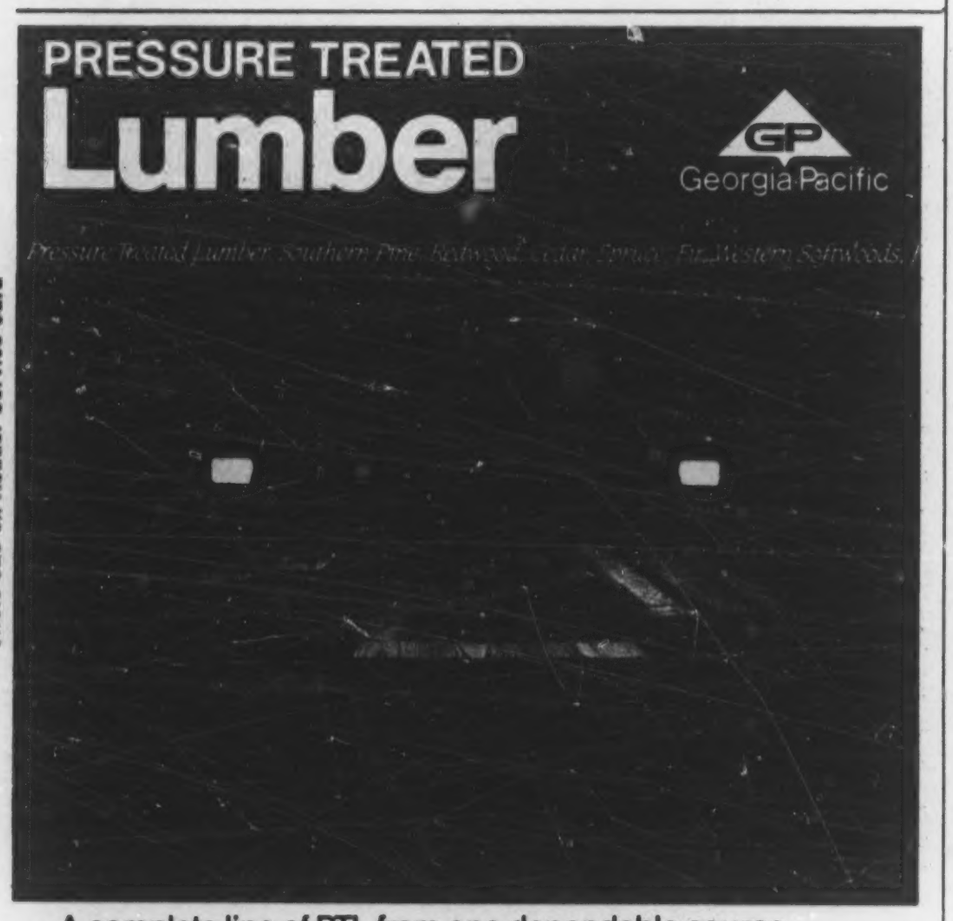

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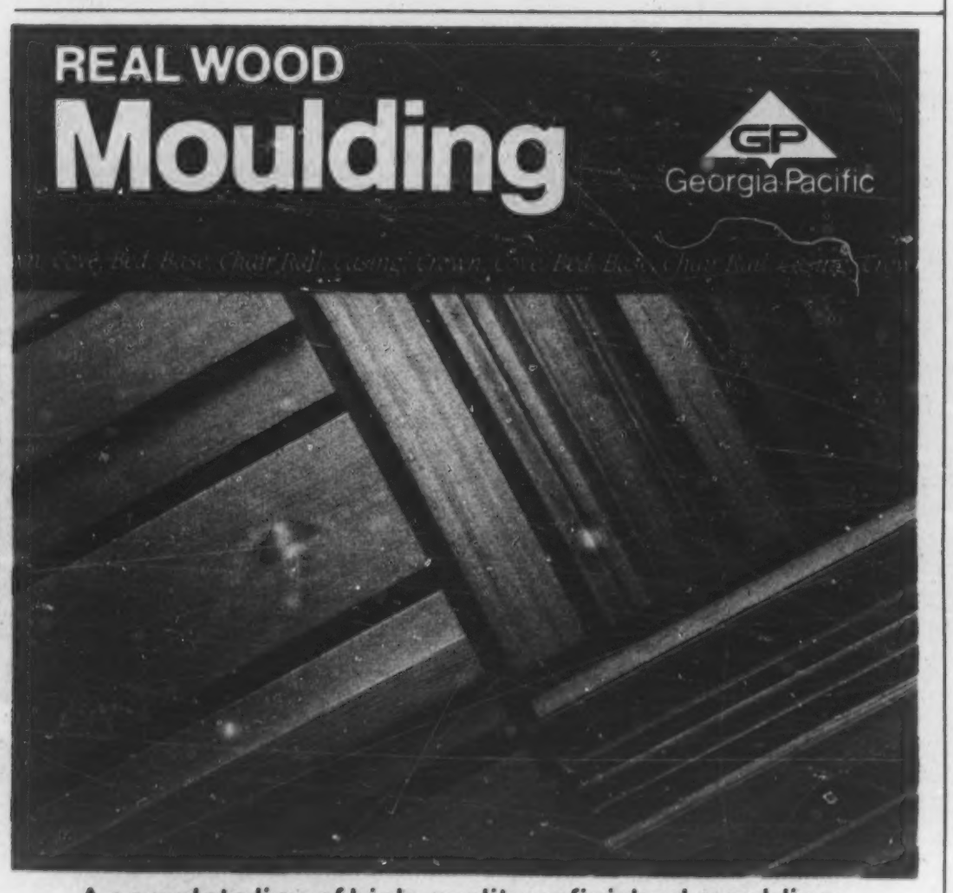

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LUMBER REPORT

Report: U.S.producers will bear brunt of Canadian export tax

By an NHCN staff editor

VANCOUVER, British Columbia — A new study by a woodworkers union argues that the 15% export tax on Canadian softwood lumber will not trigger the widespread economic disruptions forecasted and will not blunt demand for Canadian lumber.

Instead, says J. Douglas Smyth, research director of the International Woodworkers of America Canadian Regional Council who wrote the thick report, American producers will bear the brunt of the tax. Strapped with older and smaller mills, cramped by decreasing resource base, and saddled with higher operating costs, Smyth argues that the much sought tariff, and now export tax, just might backfire for American producers.

Smyth's report draws from a broad array of historical and economic trends from Department of Commerce studies, testimony from tariff hearings, production statistics from Canada and the U.S. and Census data.

The study argues that there is little evidence to support many of the doomsayer predictions that foretold massive industry unemployment, inflated housing costs and plummeting demand for Canadian.

To some industry expectations that some 17,000 to 20,000 Canadian sawmill jobs will be lost during 1987, Smyth contends that those estimates are exaggerated. He does foresee the loss of some 1,000 mill jobs as plants modernize and add on new technology.

"Studies show that Canadian sawmills are generally much larger, newer and far more efficient than the average U.S. lumber operation," Smyth wrote. "The I.W.A. showed [during tariff negotiations last year] that a high level of manufacturing efficiency, particularly in the British Columbia interior, was a major contributing factor to the growing Canadian share of the U.S. lumber market during the 1980's.

"The competitive advantages which permitted Canadian mills to survive the depressed markets of the 1980's will continue to assist the industry to cope with the 15% export levy."

The pessimistic projections that called for Canadian mills to go belly up failed to factor in the higher operating costs of U.S. sawmills, the study points out.

Due to manufacturing improvements that aided productivity in the early 80's, British Columbian millworkers had a higher output per hour, allowing Canadian production to remain competitive even in the South. By 1984, the study reports, total unit production costs in British Columbia remained below the average in the South, a condition that persists despite the 15% export tax.

Aggregate costs, the total cost of employee compensation, which are measured in dollars per hour per thousand board feet of lumber produced, favor the higher efficiency Canadian mills.

During the 1980's when demand for lumber soared from vigorous American housing starts, the British Columbian mills were able to spread the impact of high aggregate dollars over larger production volumes, Smyth wrote. This permitted the Canadian companies to achieve substantial savings in dollars per thousand board feet to the extent that the conversion costs—the monetary value of lumber once it crossed the border—was $148 per thousand board feet, $20 less than the average sawmill in the southern states.

But even more, Canadian lumber producers will still enjoy a 38% currency advantage—nearly twice the export tax assessment–and that relationship is not expected to change anytime in the near future, Smyth reported.

[Since the release of the I.W.A.'s report, the enviable currency relationship Smyth outlined has not necessarily been realized. Since hitting a low of 69 cents last February, the Canadian dollar has risen to around 75 cents (U.S.). This has reduced the return Canadian manufacturers get on sales to the U.S., which are made in U.S. dollars.

Additionally, *Random Lengths*, the industry's trading newsletter, found that a sale of lumber in U.S. dollars for 200 a board foot a year ago would have returned about $286 to the mill.

But with the rise in the value of the Canadian dollar and the continued plummet of the U.S. dollar, the newsletter reports that a $200 sale has slipped more than 6% to about $267 a thousand board feet. If the full 15% export tax is subtracted, the actual current return is more like $227. This means that the U.S. market loses its luster to Canadian producers and raises the price at which Canadians begin to lose money on U.S. sales when the market is soft.]

With both Canadian and American currencies in decline in relation to other currencies, Smyth argued the overseas export market looms as an appetizing market for North American producers.

"The export tax applies only to lumber shipments to the United States and will not affect sales to offshore markets," Smyth wrote.

Given the increasing square footage size of new homes, the opportunities for overseas penetration, and what may be a second baby boom generation entering the market in the early 1990's, Smyth argues that Canadian sawmills may actually need more workers rather than the reverse.

"Even in the unlikely event that lumber demand in the North American market should decline during 1987, the cost factors discussed above will permit the B.C. Interior industry to remain competitive," Smyth said. "Unit production costs faced by a substantial number of U.S. sawmills are still much higher than they are in Canada.

"Even a full 15% shift in duty costs to Canadian producers will be insufficient to make those U.S. mills competitive. And if the U.S. consumer absorbs between 5% and 10% of the 15% levy, the net disadvantage to the Canadian industry will be even less."

American firms hit harder

In the event of a cyclical downturn in the lumber industry, the union's document expects it will hit American firms far more than it will the Canadians. While less efficient Canadian sawmills may be caught in a profit squeeze, the union envisions that a much larger number of U.S. sawmills will also be put at risk.

"In the first place, unit production costs are generally much higher in the U.S.," Smyth wrote. "And secondly, both the U.S. Pacific Northwest and southern regions face severe shortages of timber during the next 10 years.

"Even if the Canadian industry were forced to absorb the full impact of the export levy," Smyth wrote, "it is doubtful that 15% will be sufficient to guarantee the survival of a substantial number of U.S. sawmills."

The timber shortages the report alludes to stem from a number of federally imposed and market prerogatives that have reduced the amount of standing timber acreage from commercial exploitation. Constraints on further production in the U.S., particularly in the Pacific Northwest, is a result of the timber contract relief bill that allows the forest producers to relinquish overpriced stumpage contracts on public lands. But the law also places strict caps on annual timber sales that may be under contract any time.

This means that if large volumes under contract are not returned to the government under the relief plan, the forest service will not auction off any of the affected timber.

Another development that threatens to remove sizeable acreage from production is the increasing tendency of private nonindustrial landowners to reforest in the southern and eastern U.S.

Although timber production had increased rapidly in the South during the 1970's, the Canadian report charges that southern landowners are undependable sources of supply and do not engage in intensive forest management practices.

Moreover, the report quoted the lamentations of the International Paper Company (IP)—the second largest timber-holding company—which buys 70% of its timber supplies from private landowners.

NAHB STUDY PROFILES THE REMODELER

By an NHCN staff editor

WASHINGTON — A new survey of remodelers found that nearly 30% are purchasing their building materials from home center outlets.

While this number may pale compared with the 9 out of 10 remodelers picking up commodities from a "building supply dealer," it points up the amount of contractor sales home centers are capturing and, potentially, what they may be missing.

This survey, conducted last year by the National Association of Home Builders (NAHB) and based on preliminary data from 650 interviews, also found 1 in 10 builders acknowledging that homeowners are completing anywhere from 11% to 25% of a remodeling project themselves and are actively involved in choosing which items are bought for the project and where. This could account for the amount of sales being rung up by home centers.

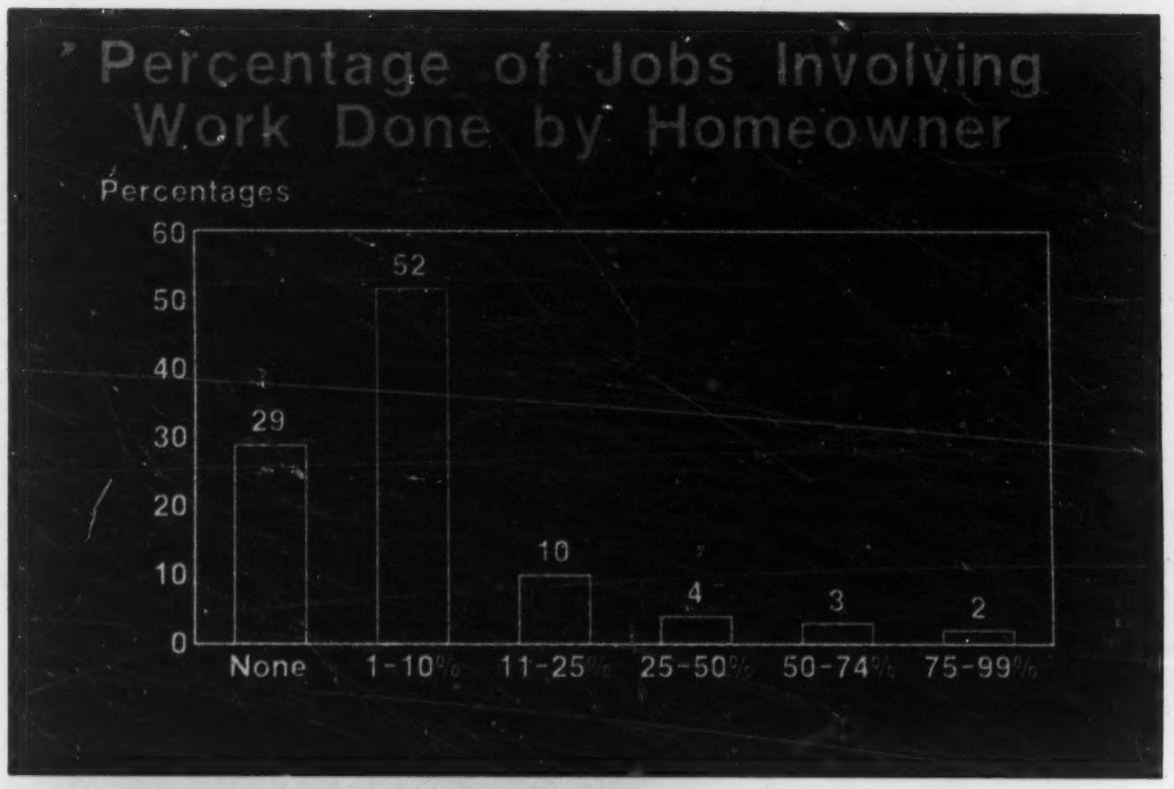
The study also provides a look at who the remodeler—an illusive entity for many retailers—is in terms of age, company ownership, education and employees.

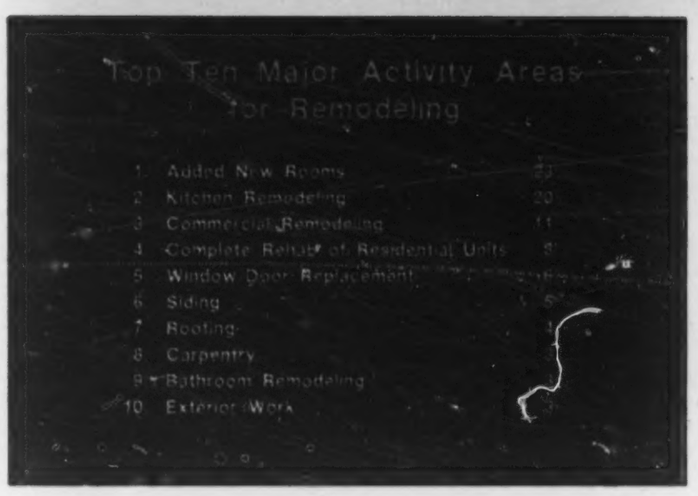
It tracks what types of remodeling these builders are doing; where these products are purchased; what problems remodelers encountered last year; and how sales look in 1987.

Continued growth seen

In total, the study gives a fairly complete picture of builders participating in a business that is expected to increase about 5% this year to $90 billion. "As household growth slows, the need to build new houses [also] slows, but remodeling is a continued strength," noted William Apgar of the Joint Center for Housing Studies of the Massachusetts Institute of Technology and Harvard University, who spoke at a seminar during the NAHB show last month.

Apgar also said that 50% to 60% more money is spent remodeling homes by consumers who have resided in the house for four years or less than by families with longer histories in that dwelling. Consequently, he expects the repair and remodeling sector to grow even further because of the wave of move-up home buyers.





Room additions were leading remodeling project done by builders surveyed by the NAHB, followed by kitchen remodeling. About half of the builders said homeowners do up to 10% of the project, with another 10% claiming the homeowner will do up to 25% of the job.

The explosion in remodeling activity is clearly manifested by the fact that about 40% of the NAHB's 145,000 builder-members report they did remodeling jobs last year, compared to only 1 in 10 several years ago, according to Gopal Ahluwalia, the association's assistant staff vp and director of research.

It's little wonder why contractors have expanded their businesses into remodeling: The average remodeling job, according to NAHB research, is $11,000; a bathroom costs an average of $13,000; a room addition, $20,000; a second-story addition, $32,000.

(Material costs account for nearly 40% of a typical remodeling project, according to the builders' survey, with labor costs making up 36% and "overhead and profit," one-quarter of the job's price tag.)

Those in the business expressed a high level of enthusiasm about its prospects: More than three out of five builders polled expected remodeling activity to increase for their companies this year, compared to 1986. More specifically, where only 17% of the businesses of those polled did between $500,000 to $1 million last year, that number is expected to grow to 22% of the same total this year. The percentage of those in the $1 million to $2 million sales range is projected to expand to 12% of the total from 10%. And, more significantly, the number of contractors doing from under $100,000 to $249,000 is expected to decline.

Younger and better-educated

But who is the "typical" remodeler? The NAHB survey found that one-third of those builders polled last year were between the ages of 35 and 44, with an equal number—around 25%—between 25 and 34 or 55 to 64. Nearly half are principal owners of their businesses and 55% are incorporated.

Those builders who have done remodeling work for 6 to 10 years and more than 20 years each comprised a quarter of the survey's total. Another 25% were builders engaged in remodeling work for between 2 and 5 years. This latter group could be left in the lurch by a program currently being developed by the National Association of the Remodeling Industry that would certify only those builders with at least seven-years' remodeling experience.

One in three remodelers has some level of college education and more than 3 in 10 have graduated from college. Another 11% have advanced degrees.

About 60% of those polled said they don't have any members of their families as paid employees of their companies. But one-third employ their spouses in bookkeeping, secretarial and even office manager positions.

When asked how they drum up new business, more than 8 in 10 builders said they get new jobs from customer referrals; 70% said business referrals brought them additional business; and half said that the yellow pages and outdoor job signs worked to produce more project sales. On the contrary, phone solicitation was seen as an instrument for developing new business by only 4% of those polled.

With respect to this aspect of their business, it appears that builders don't see outside salespeople as much help: More than 70% don't even employ salespeople, and more than half that do have no sales training.

Fifty-five percent of the builders polled by the NAHB identified themselves as general contractors, while another 20% said they were "single line" specialty remodelers.

Room remodeling tops list

Ahluwalia, in presenting this data at NAHB's convention in Dallas, noted that 41% of the survey's respondents claimed to be in kitchen or bath remodeling. And kitchen remodeling ranked second among the top-10 remodeling activities done by contractors, with 20% claiming it as their main line of business. The top job last year was room additions, with 23% of those polled stating that as a major remodeling activity for their firms. Another 11% cited commercial remodeling, and 8% said residential rehabilitation.

Surprisingly, only 3% said bath remodeling was a major activity, and a relatively low 6% identified window and door replacement. (This last sta-

(Continued on page 33)

Home center remodeler market grows

By an NHCN staff editor

NATIONAL REPORT — Home centers appear to be playing a much greater role in the remodeling market. Home centers were the places where 27% of the builders said they went to purchase at least some of the building materials they used for remodeling jobs, a remarkably high percentage given the DIY and cash-and-carry nature of these stores.

Nearly 90% of the builders said they bought product at a building supply dealer; another three-quarters went through a wholesaler; and 40% bought direct from manufacturers.

Job-site delivery, telephone ordering, quick delivery from warehouses and offering a line of credit were identified as those services more than 90% of the surveyed builders thought were "somewhat" to "very" important in deciding on a materials supplier. Having a retail showroom and maintaining direct contact with manufacturers were other services more than 7 in 10 builders looked for.

The ability of a materials supplier to provide equipment rental, product estimating computer-aided designing was not deemed all that important for builders' supply choices.

And when it came to selecting merchandise, builders, in nearly equal measure, ranked quality, price, availability, appearance, customer preference and the supplier's backup service as factors they weighed.

Perspectives

cover story

(Continued from page 32)
tistic is intriguing, given the fact that millwork installation is not a job that most builders will subcontract, at least according to the survey's respondents.)

The survey asked contractors about who was actually doing the remodeling work in 22 different projects from roofing to excavation, bricklaying to painting. It found that more than 7 out of 10 builders used their own crews when it came to building a deck, installing a window or door and just about any kind of carpentry work. More than half employed their own work crews for the installation of exterior siding, kitchen cabinets and countertops.

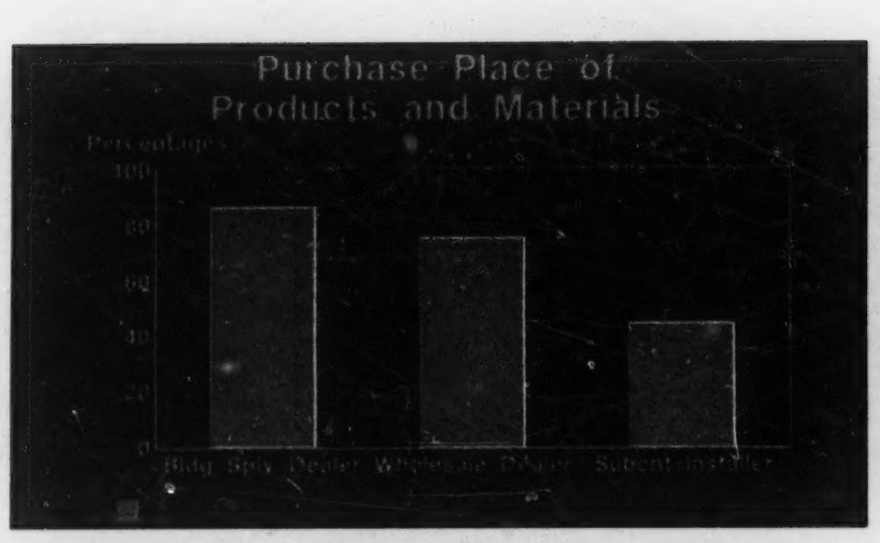
But subcontractors were brought in by around 80% of the builders polled for such remodeling projects involving concrete foundation; brick and masonry; plumbing, heating and cooling; and carpeting. More than half used subs for jobs like putting up gutters and installing ceramic tiles, while 40% called in subs when drywall plastering was required.

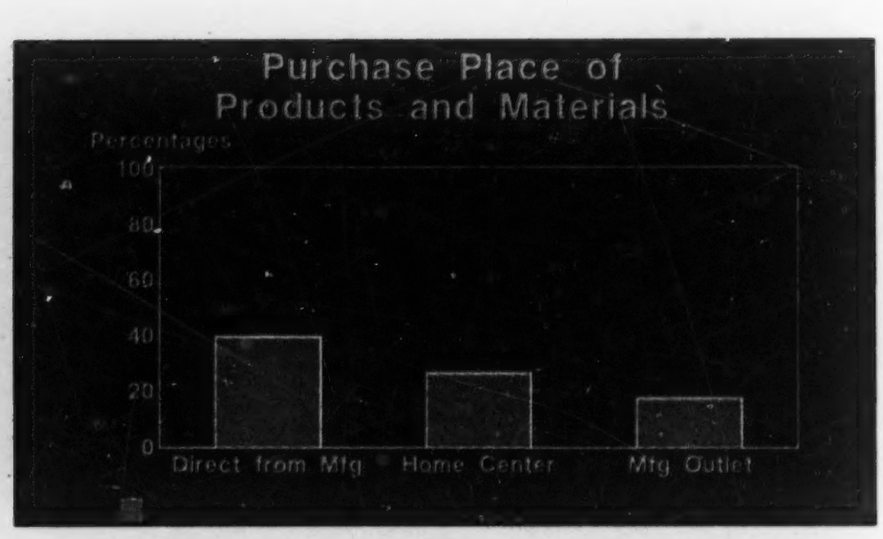
Remodeling jobs where about one-quarter of the builders said their crews and subcontractors were more likely to work together were roofing, excavation and grading, installing wood and vinyl floors and painting.

Sixty percent of those polled said they offered a written warranty for a job completed, and among those, about three-quarters said the guarantee was for one year; 16% offered warranties lasting three years or more.

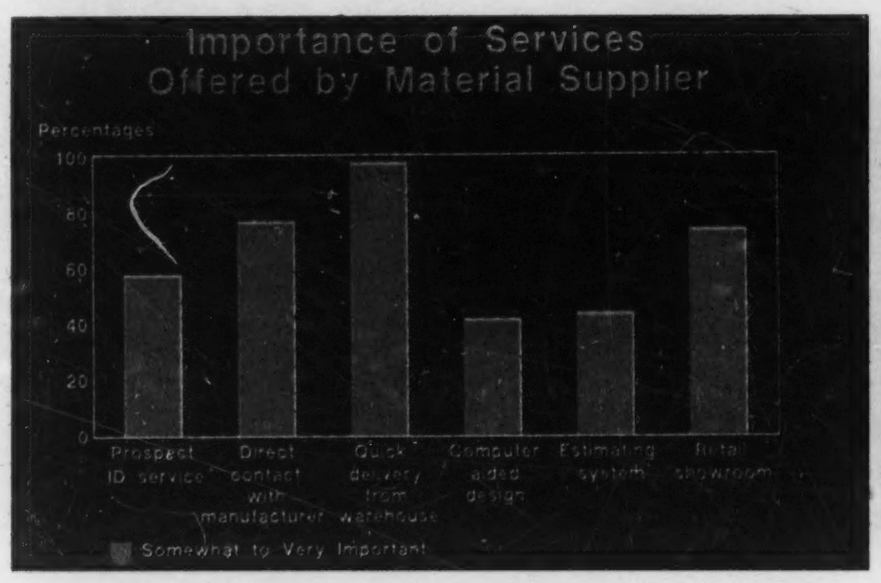
More than half of the builders said that the homeowner winds up doing between 1% and 10% of the remodeling work; another 10% said that the homeowner completes up to a quarter of the job.

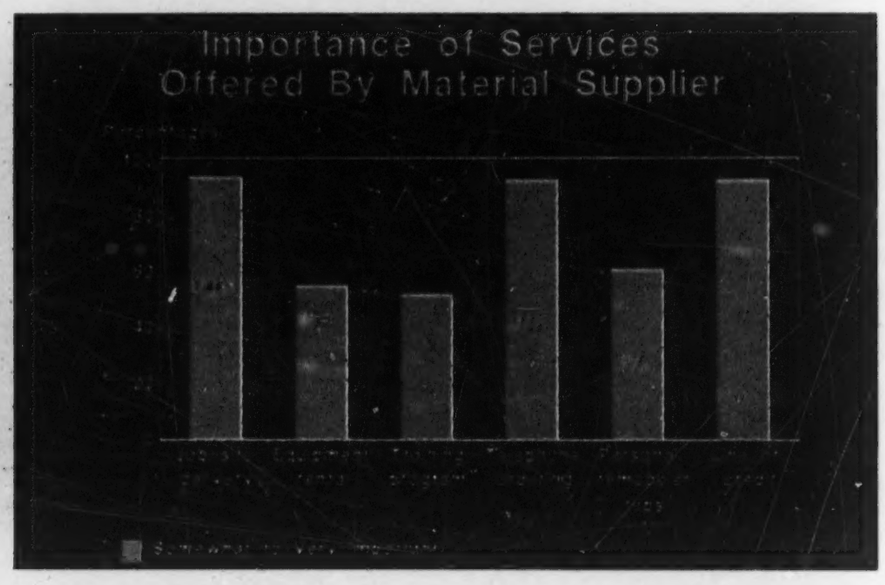
In fact, consumers appear to be remarkably involved in completion of the remodeling job, especially when it comes to selecting which products are bought and, indirectly, where they are purchased.





Home centers were where about 30% of builders surveyed said they bought building products for remodeling jobs. But more than 8 in 10 continue to purchase through building supply dealers, and more than 70% go through wholesalers. Around 40% said they buy directly from manufacturers.





Quick delivery, telephone ordering and the availability of credit ranked highest among the various "services" builders look for when deciding on a supplier.

The NAHB survey found that 43% of the builders polled said that their customers' influence over product selection was "complete," with another 57% stating that homeowners had "some" influence on the commodities purchases for the remodeling job.

Contrast these findings with the 45% of the contractors who said they made all the decisions about what was bought for the job themselves and the 50% who have input but may not make the final decision. Less than one-fifth of the remodeling contractors said that architects claimed total control over product selection, and only 10% of the builders said the dealer was the major influence. (The numbers overlap in this category because multiple answers were allowed.)

Lastly, builders were asked about what problems plagued their businesses in 1985-86, and it turns out the biggest headache remodelers now face is finding skilled labor. More than three-quarters of those polled named this as a problem, and nearly 2 in 5 said it was one of their three most pressing difficulties.

Low bidding by competitors was also seen as a major problem by more than76%, while more than 70% named rising liabilities costs as an obstacle to their profitability.

Material and labor costs, government regulations, product availability, even customer relations, were viewed by most builders as less trying aspects to being a remodeler.

Home center retailers pursue the elusive remodeler

(Continued from page 31)
"We do know, though, that there are all kinds of remodelers out there, including the guy who may be a fireman by day and a remodeler by night," he continued. "Each of these customers has different service requirements."

Lowe's addresses its remodeler trade by making sure its service offerings —telephone ordering, pro sales help, low pricing—are intact and that a good portion of its ROP ads are dedicated to showing building materials remodelers will use. "We also don't want to deal with this guy through the front door, but through our contractor sales desk whenever possible," Phillips said.

The 85-year-old Foxworth-Galbraith is used to cycles where remodeling and home building merge because of economic conditions, so its stores are geared towards attracting those customers with services like quick jobsite delivery. "We can also offer the remodeler advice," noted Mayer. "Most of our stores' salesmen are old timers, and the remodeler can practically turn the job over to them and be certain he's going to get what he needs for the work in his order."

Lloyd's, the Danbury, Conn.-based company, takes the more unscientific approach to keeping tabs on remodelers. "Most of these guys are buying on price, so they are hard to define," said Stuart Raynor, director of pro sales for the 35-store chain. "But we're trying to watch how much customers buy and what they're driving away in. And when we see these guys often enough, we'll try to make them house accounts, especially if they have good credit."

Like Lowe's, Lloyd's and Anderson Lumber have found that promoting projects through advertising is perhaps the best way to let remodelers know their stores have what they need, even if tracking their sales is untenable. "When the winter hits up here, builders almost automatically become remodelers, and about the best you can do is advertise the type of products remodelers will use," said Anderson, the Utah chain's store manager.

Through in-store salesmanship and cross merchandising, "We're trying to get the repair and remodeling guy to go for the deck when he's doing a room addition," said Raynor, Lloyd's pro sales vp. "We'll also have our people bring him over to our professional power tool line to upgrade him."

In the whole scheme of things, remodelers may account for a relatively small part of any chain's total sales. But remodeling is expected to be a $90 billion business this year, and home centers obviously feel that it's worth the effort to get a bigger share of that pie. "There's a natural association between the builder and remodeler," said Phillips, whose stores get 48% of their volume from professionals. "And if there's a move in the industry towards more remodeling, I think that would be wonderful for us."

"You have to go after all the business you can," added Raynor of Lloyd's, "because the little [remodeling] guys could wind up being the big guys in the future."

HOUSING

Economists predict moderate housing year

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — This will be a moderate year for housing, several leading economists and housing experts have proclaimed.

New housing starts will total about 1.6 million units this year, down 12% from 1986; mortgage rates will drop to about 9% in the first half before turning back up; and the mortgage money supply will be plentiful, they said.

But the regional differences—the strong market of the Northeast and California and the weaknesses of the farm and energy belt—will continue their 1986 pattern. And housing will operate in an environment of a relatively weak economy. The nation's Gross National Product will remain weak, rising 2.5% to 3% this year and inflation will continue to be low.

"We're in a kind of lull," observed James Fischer, president of the National Association of Home Builders (NAHB) and a Nashville builder and land developer. "We'll have a decent 1987. It'll be a good year."

Predictions on housing and economic activity were made during the NAHB's annual convention in Dallas in January.

The lull in activity, some experts say, is due to uncertainty over the effects of tax reform and the federal budget and trade deficits. In the short-term, at least, all three will have a negative effect on housing.

"The economy can't count on residential construction for stimulus" this year, said Lyle Gramley, senior vp and chief economist of the Mortgage Bankers Association.

So far, single-family housing starts are projected to be about 1.1 million units, down slightly from the nearly 1.2 million units recorded in 1986. Some experts feel that these starts could be overstated since the tax benefits afforded owner-occupants will be less valuable under the new tax plan.

Although the deduction is preserved under the 1986 tax law, the lower marginal tax rates make the deduction less valuable to consumers, possibly causing some buyers to take a wait-and-see attitude to a new purchase. On the other hand, activity could be strong since mortgage interest and real estate taxes for first and second homes will be one of the only deductible investments preserved in the new law.

The real problem area for the housing industry will be in the multifamily housing sector, especially in rental housing. Starts in this sector are expected to drop to about 480,000 units, 150,000 fewer starts than in 1986. The decline here is also due to changes in the tax law that cut schedules for depreciation and alter the capital gains laws, among other reasons. Rent increases are expected.

David Seiders, chief economist at the NAHB, said he is advising builders to be cautious this year.

He is suggesting that builders pick their markets carefully and pay special attention to communities developing far outside the cities and their immediate suburbs.

Seiders is also advising builders to continue diversifying their operations, especially into remodeling, so they minimize their exposure to the housing cycles.

He noted that builders may even move around more than usual this year, looking for communities in which to build.

But even with the changes in the tax law and the fact that the regional differences of 1986 will still be around this year, mortgage loan money will be readily available and at relatively low rates.

Most experts are projecting that 30-year fixed-rate mortgages will fall below 9½% during the first half of the year. Some, like Michael Lea, chief economist with Freddie Mac (Federal Home Loan Mortgage Corp.), and Donald Ratajczak, director of the Economic Forecasting Project at Georgia State University in Atlanta, expect rates to fall below 9% in the first half. Ratajczak is predicting rates will hit the 8.5% level at mid-year.

Both men said a major refinancing boom wouldn't occur unless rates fall below 8.5%. But if rates do indeed fall to about 8.5%, Ratajczak said,"We could have a mini-refinancing bubble."

Lea, and Leland Brendsel, acting president and ceo of Freddie Mac, feel adjustable rate mortgages (ARMs) will become more appealing this year as those rates drop to below 7%. This year, Lea said, ARMs should total one-third of all loan originations, up from 25% in 1986.

Last year, mortgage lending totaled a record $400 billion—two-thirds, or about $250 billion of which, was from the secondary mortgage market. A great deal of the loans were refinancings, Lea said. With low mortgage rates expected to continue, lending should remain within 20% to 25% of that record or $320 billion to $330 billion this year, a return to normal levels, he added.

Freddie Mac also set record lending levels last year, said Brendsel. It purchased 19% of all conventional loans originated in 1986, for a purchase volume of $103 billion, more than double the $44 billion it purchased in 1985. This volume translates into 1.7 million loans last year.

This year, Brendsel said, Freddie Mac should originate $75 billion in new loans.

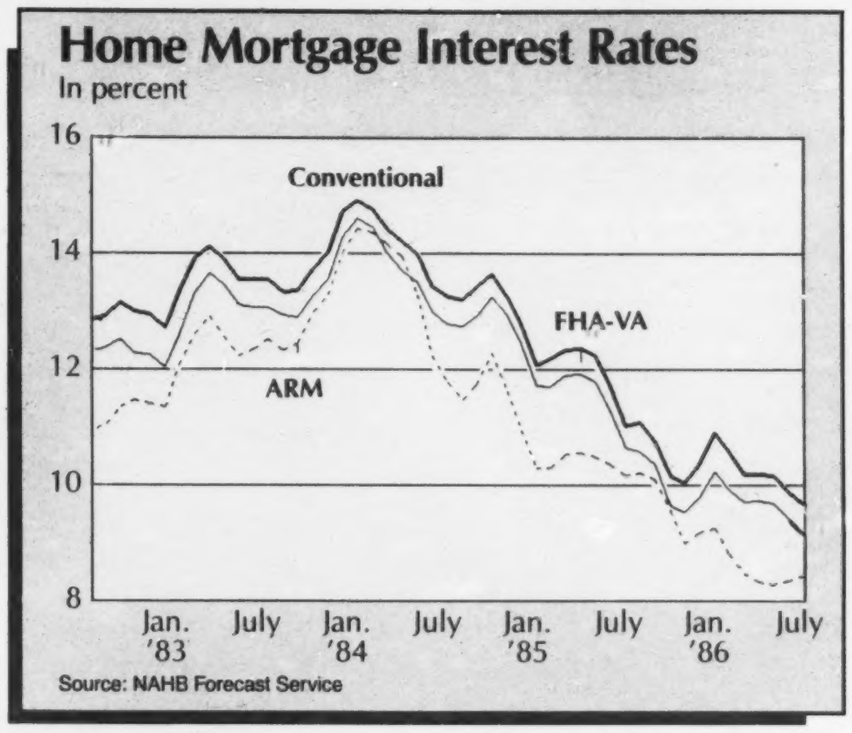
Fannie Mae (Federal National Mortgage Association) also had a banner year last year, recording a total business volume of $91 billion, or 1.3 million loans to American home buyers, said Frank V. Cahouet, president and coo.

This year, housing activity will be good, "but not as robust in starts or in refinancing," said Cahouet.

Joe Morris, chairman of the U.S. League of Savings Institutions, said he expects 1987 loan totals to be at the 1986 level, over $250 billion, which was a record year. Activity will be up slightly during the first half, due to low mortgage rates, and then level off at the end of the year.

Mortgage rates dropped about 200 basis points in 1986, from an effective rate of 12.01% in December 1985 to 10% in December 1986, according to the Federal Home Loan Bank Board's December 1986 report on rates. Adjustable rate mortgages fell from an effective rate of 10.48% in December 1985 to 8.887% during the final month of last year.

Fixed-rate mortgages are already below 10% and approaching the 9½% level.



Housing starts have increased as mortgage rates have dropped. This year, however, starts are expected to be off, although the rate for a 30-year, fixed-rate mortgage could fall to 8.5% by July, some economists predict.

Housing Starts 1983-1987

In thousands of units

	1983	1984	1985	1986	1987	Percent Change 1985/86	Percent Change 1986/87
U.S. Total	**1,703**	**1,750**	**1,742**	**1,810**	**1,601**	**3.9**	**−11.5**
Single Family	1,068	1,084	1,072	1,180	1,123	10.1	− 4.8
Multifamily	636	666	670	630	478	− 6.0	−24.1
Northeast	**168**	**204**	**252**	**299**	**270**	**18.7**	**− 9.7**
Single Family	123	158	182	238	220	30.8	− 7.6
Multifamily	45	46	70	61	50	−12.9	−18.0
Midwest	**218**	**243**	**240**	**300**	**257**	**25.0**	**−14.3**
Single Family	153	167	148	182	163	23.0	−10.4
Multifamily	65	76	92	118	94	28.3	−20.3
South	**935**	**866**	**782**	**730**	**623**	**− 6.6**	**−14.7**
Single Family	557	528	504	498	460	− 1.2	− 7.6
Multifamily	378	338	278	232	163	−16.5	−29.7
West	**382**	**436**	**468**	**481**	**451**	**2.8**	**− 6.2**
Single Family	234	230	239	262	280	9.6	6.9
Multifamily	148	206	229	219	171	− 4.4	−21.9

Source: Bureau of the Census; NAHB Forecast Service

Regional housing disparities to continue through '87

By an NHCN staff editor

DALLAS — The regional disparities of 1986 will continue this year, according to several housing experts.

The strength of New England, the Mid-Atlantic states, California and Florida will persist through this year. Oregon and Washington State will fare well due to forest production, but the difficulties of the farm belt and energy producing states are likely to continue.

In fact, David Seiders, chief economist with the National Association of Home Builders (NAHB), said the problems in the farm sector could even "get worse."

Michael Carliner, staff vp-economics and housing policy with the NAHB, added that he sees "no turnaround for the energy producing states," noting that jobs drive migration.

This year, said Carliner, South Carolina, Ohio, Tennessee, New Jersey, Indiana, Pennsylvania and Wisconsin will show accelerated employment growth, while Texas, Louisiana, Oklahoma, Arkansas, Mississippi, Montana and Wyoming will experience employment declines and probably housing declines, as well.

As far as the metro markets are concerned, Seiders added, no "major or appreciable employment changes" are anticipated.

Nationally, total housing starts will fall 11.5% from 1.81 to 1.6 million units, after rising 3.9% from 1985.

These forecasts were released during the annual convention of the NAHB in Dallas in January.

During that convention, Seiders released a "Housing and Economic Outlook" report that included a housing starts forecast for 1987 that shows both single-family and multifamily housing starts declining everywhere but in the West.

In the West, single-family starts will rise 6.9% to 280,000 units. Multifamily starts in the West, however, should decline by 21.9%, Seiders said.

Nationally, total housing starts will fall 11.5% from 1.81 to 1.6 million units, after rising 3.9% from 1985. Single-family starts will decline 4.8% to 1.123 million units and multifamily construction will fall 24.1% to 478,000 units, Seiders predicts.

The explosive starts behavior of the Northeast will cool this year but still remain strong. Overall, housing activi-

(Continued on page 157)

WASHINGTON REPORT: Construction Outlook

Value of new construction put in place (bil. $)	244.4	279.2	327.2	355.6	375.0	—
Value of new construction put in place (bil. 1982 $)	244.4	272.0	300.0	324.9	340.6	343.2
Number of private housing units (000)	1,062	1,703	1,750	1,742	1,850	1,850
Composite construction cost index (1982=100)	100.0	102.7	106.3	109.4	113.0	—
Producer price index for all construction materials (1982=100)	100.0	103.4	106.5	107.6	107.6	—

NOTE: Data on new construction put in place does not include maintenance and repair work.
[1]Estimated
[2]Forecast

Construction activity to hit all-time highs this year

By Amie Snider
Special to NHCN

WASHINGTON — U.S. new construction activity will reach an all-time record in 1987, with virtually all the gains coming in single-family housing and home improvement, according to Commerce Department economists.

Total construction activity, as measured by the value of completed projects, reached an estimated $375 billion last year and is expected to climb 0.8% plus inflation this year, according to the economists.

If this prediction is on target, then the value of construction shipments will increase 40% (in real dollars) from 1982 to 1987 (not counting inflation).

Although the government economists acknowledged that last year's tax reform legislation has had a dampening effect on new construction, they predicted that, over the long run, the tax changes will encourage home building.

"For the most part, the initial depressing effects of tax reform will be absorbed chiefly during the next two or three years, while the stimulative effects will steadily increase," researchers said. "Thus, by the end of the 1980s, construction activity may well be higher than under the tax law of 1985."

In the *1987 U.S. Industrial Outlook* report, which was released in January, Commerce Department forecasters expect the total number of new housing starts in 1987 to show no change from the 1986 figure of 1.8 million units. Additionally, housing starts are predicted to "average 1.75 million starts annually through the end of the decade," the economists said.

Of the total new housing starts predicted for 1987, almost 70% of the starts are forecast in the single-family category, an increase of about 4% over 1986 levels.

Meanwhile, the forecasters foresee a reversal in a home building trend as the nation's baby boomers shy away from townhouse-style, "attached" single-family homes and increase their demand for detached houses.

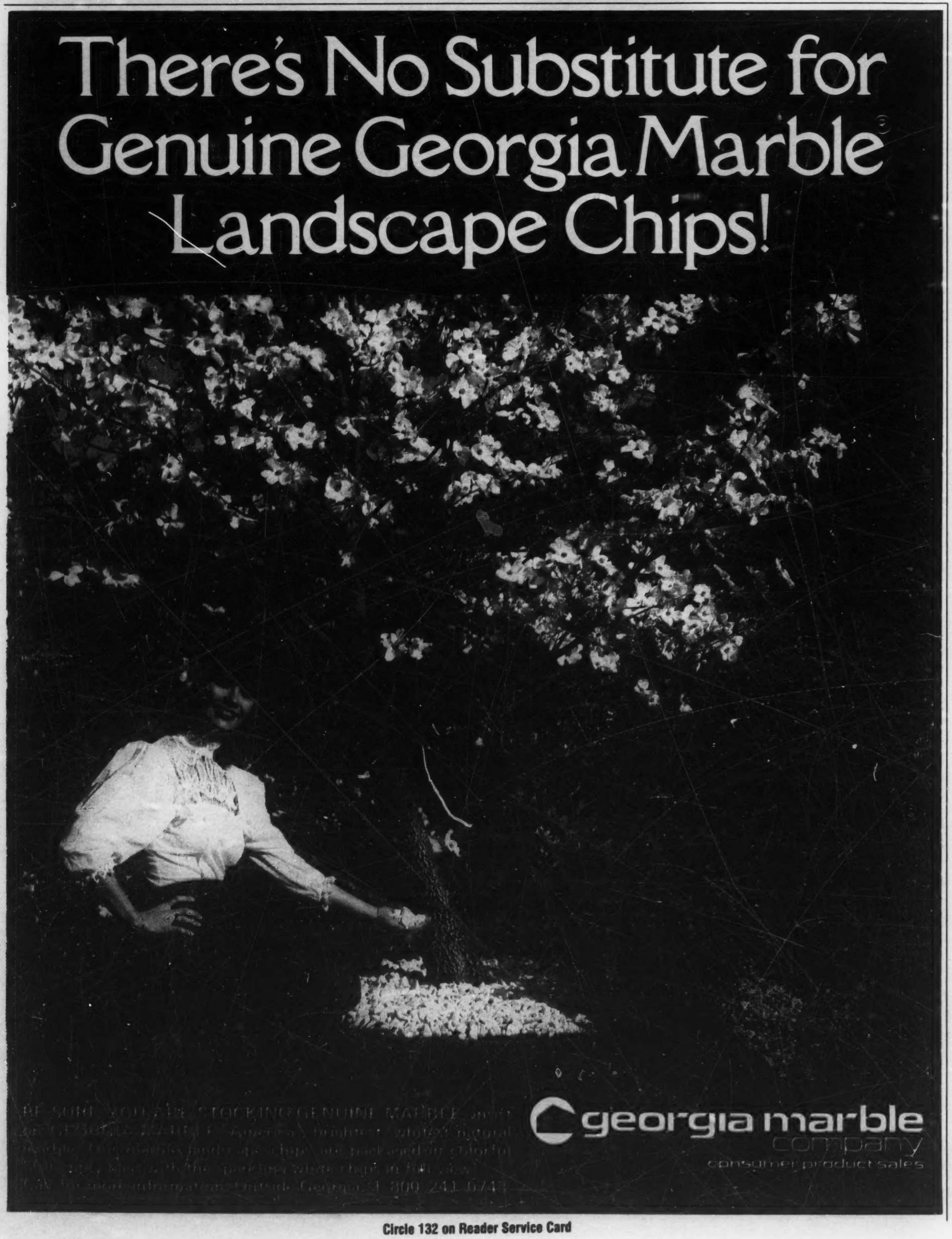
"Of the 1.25 million single-family homes started in 1987, approximately 1.1 million will be detached, continuing a trend toward larger, detached homes with more amenities. Townhouses as a portion of total single-family homes will decrease," according to the economists.

Home center operators can expect a continued growth in consumer demand for construction upkeep items "as the result of the high rate of home building and existing home resales from 1983 to 1986."

During the past year, total home improvement expenditures by owners of residential property reached almost $90 billion, an increase of 10% over 1985 levels.

According to the Commerce Department forecasters, about 45% of home improvement expenditures in 1986 was spent on "maintenance and repairs." The report defines these as "property maintenance costs including activities such as painting and appliance adjustment and repair."

The other 55% was spent by property owners on "construction improvements," which includes changes such as additions, alterations and major replacements (i.e. water heaters or furnaces).



Circle 132 on Reader Service Card

Construction Materials Price Trends 1980-86

Annual % change

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Portland cement	6.0	2.6	*	4.0	2.0	*
Concrete products	6.3	2.3	1.4	2.5	3.4	1.8
Structural clay products	7.9	4.4	6.5	3.2	3.2	3.8
Sand, gravel, crushed stone	10.4	6.3	1.7	4.2	4.4	3.2
Gypsum products	*	*	11.7	21.2	−2.3	5.7
Prepared asphalt roofing	− 4.7	−1.6	− 5.9	3.9	2.8	−2.8
Metal doors, sash, and trim	9.2	4.2	2.9	3.6	4.7	2.3
Plumbing fixtures, fittings	8.4	4.2	3.8	4.6	3.0	3.6
Insulation	N.A.	N.A.	3.7	*	1.1	0.8

Last three years are projected changes.
Source: U.S. Department of Labor

'87 building gains to boost sales of some materials

By Amie Snider
Special to NHCN

WASHINGTON — Despite Commerce Department predictions that new construction activity will increase to record levels this year, not all construction materials are expected to also show gains in 1987.

While shipments for lumber, particleboard and wood are predicted to benefit from the anticipated upswing in 1987 new construction, demand for other building materials such as cement, brick and structural tile, concrete block and brick and gypsum products is expected to drop.

Total industry shipments of the major construction materials covered in the Commerce Department's *1987 U.S. Industrial Outlook* are expected to decrease by 3.4% in 1987, the largest annual drop in more than a decade. The *Industrial Outlook* was released in January.

This forecast is exactly opposite the situation this past year when 90% of the major construction materials industries studied by the Commerce Department benefitted from increases in demand ranging from 1% to 7%.

Housing starts strong

The government economists attribute the banner 1986 year for construction materials to a stronger than expected performance in housing starts along with "strong nonresidential construction activity."

However, for 1987, the forecasters anticipate that, "Demand for materials used in residential construction will rise slightly, while demand for materials primarily used in nonresidential construction will fall."

"Among the key factors affecting building construction, and thus the demand for construction materials in 1987, will be interest rates, the level of inflation, the employment situation and tax reform," Commerce Department economists said.

Road to recovery

Although the report anticipates a drop in office building, shopping centers and warehouse construction in 1987, it does predict that this will be the year in which industrial construction will start on the road to recovery.

The individual construction material industries to be adversely affected by the drop in new commercial building construction predicted for 1987 include the concrete industry—an industry that just last year posted gains in value of shipments of between 3% and 5%.

"The largest concrete industry, ready mix, should experience a 1% drop in shipments. The concrete block and concrete products industries should show a decline of about 4%," the economists forecast.

The value of all concrete products shipments for 1987 is forecasted to drop 4% (in real dollars). The predicted decline in product shipments (from $4.5 billion in 1986) will put the value of concrete product shipments at its lowest level since 1984.

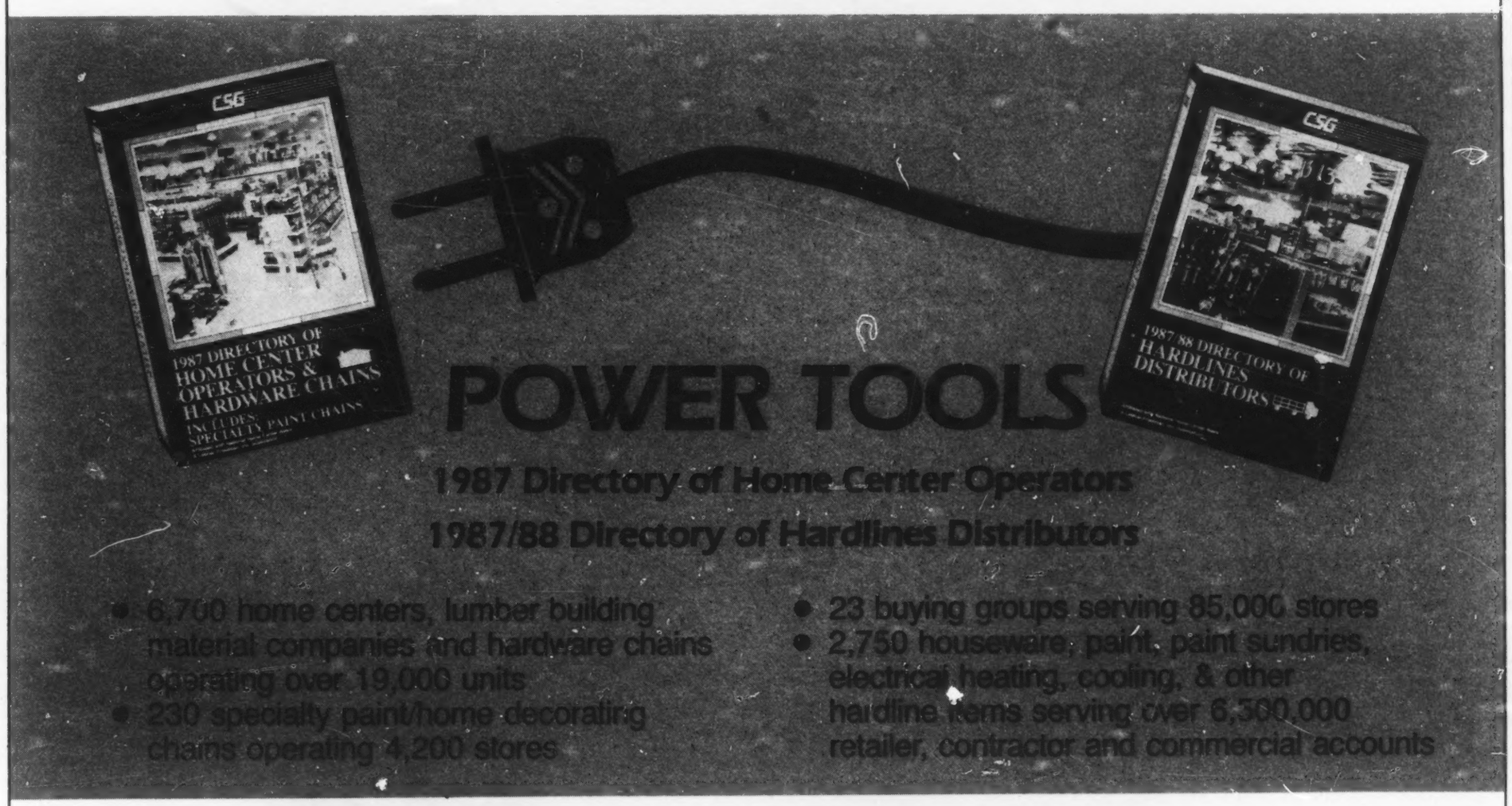
Some growth predicted

However, the Commerce Department said it foresees projected long-term growth in the concrete industry averaging 1% to 2% annually.

According to the report,

(Continued on page 166)

WHAT DOES IT TAKE TO PLUG INTO ALL THE RIGHT HOME CENTER/HARDWARE MARKETS?



1987 Directory of Home Center Operators
1987/88 Directory of Hardlines Distributors

- 6,700 home centers, lumber building material companies and hardware chains operating over 19,000 units
- 230 specialty paint/home decorating chains operating 4,200 stores
- 23 buying groups serving 85,000 stores
- 2,750 housewares, paint, paint sundries, electrical, heating, cooling, & other hardline items serving over 6,300,000 retailer, contractor and commercial accounts

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WASHINGTON REPORT: Construction Outlook

Building gains to boost sales of some materials in '87

(Continued from page 164)

"The popularity of masonry building construction should keep the block, ready mix, precast and prestressed segments strong, and substantial highway and bridge construction and building reconstruction will help the ready mix and prestressed producers."

Although government economists predict a fall of almost 2% (in real dollars) in the value of cement industry product shipments (from an estimated $4.1 billion in 1986), the demand for cement is forecasted to remain strong in the coming year.

"On the positive side, demand will benefit from the strength of the single-family housing and highway sectors and improving industrial construction," the Commerce Department report said.

Prices could rise

Meanwhile, long-term forecasts for the cement industry show that the nation's increasing reliance on cement imports rather than "modernizing existing facilities or building new plants" could backfire into higher prices for home center operators.

Commerce Department data indicates that in 1985-86, the value of cement imports rose 7.8% to an estimated $465 million. Cement imports in 1986 accounted for almost 18% of total new cement supply, up almost 400% since 1982.

"If this trend continues, the U.S. will become much more dependent on foreign-sourced cement and clinker, a brick product. If the flow of imports was disrupted for some reason, it could take several years for domestic cement producers to expand to meet demand. In the meantime, a sizeable price increase would occur, and delays in the completion of construction projects could be expected," the economists said.

Shipments to decline

Like the other construction material industries that are expected to show a drop in shipments for 1987 because of declines in office and commercial construction, brick product shipments are predicted to decline 2% (in real dollars).

The value of product shipments is expected to fall from an estimated high of $1.2 billion in 1986. Last year, the brick industry recorded a 7% increase in the value of product shipments—its largest increase in over a decade—according to Commerce Department statistics.

Long-term forecasts for the brick industry do not appear to be very positive, according to the government economists.

"Despite the growing popularity of brick and structural clay tiles for some applications, the prospect for sizeable long-term growth for these products is not great. The industry will continue to promote the product in order to regain some of its lost residential siding market for nonresidential buildings and for new applications," the report said.

In addition, "New brick sizes, shapes, colors and installation methods will be emphasized to enhance brick's popularity."

Gypsum to fall 3%

Another construction material, gypsum, is expected to record a 3% (in real dollars) fall in the value of product shipments for 1987, after topping an estimated $2.3 billion in 1986. This represents the largest drop in gypsum product shipments since the early 1970's.

"Sales are expected to drop from the 1986 record level of 20.6 billion sq. ft. to about 20 billion, which would still be the second highest annual sales figures," according to the report.

At the same time, the Commerce Department economists said, "Growth in shipments of gypsum products will be at a slower pace in the future, since office building construction will probably be lower for several years and demographic factors will tend to reduce new housing needs in the late 1980's and early 1990's. But gypsum board's ease of installation, relatively low cost, and general popularity are expected to continue to stimulate demand."

U.S. paint shipments to rise 3% in 1987

Paints: Manufacturer Shipments, 1972-1986[1]
Dollars in millions

1986[2]	$11,101
1985[2]	10,539
1984	10,848
1983	10,195
1982	9,162
1981	9,144
1980	8,340
1979	7,911
1978	7,167
1977	6,630
1976	5,931
1975	5,150
1974	5,007
1973	4,268
1972	3,822

[1]Value of all products and services sold by the Paints and Allied Products industry
[2]Estimated
Source: U.S. Department of Commerce

By Deane Evans
Special to NHCN

WASHINGTON — Despite competition from vinyl, wood and glass wall coverings, U.S. paint and coating shipments will increase 3% in 1987, according to U.S. Department of Commerce predictions.

Significantly, the growth projected for 1987 will almost equal last year's "healthy" 3.3% rise in domestic paint sales, economists said. Aided by a stable construction market and a growing remodeling sector, U.S. paint shipments reached $11.1 billion in real

(Continued on page 169)

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WASHINGTON REPORT: Construction Outlook

New demand for power tools spurs modest growth

By Deane Evans
Special to NHCN

WASHINGTON — Growing demand for cordless tools by novice do-it-yourselfers will provide the impetus for modest growth in U.S. power-driven hand tool shipments over the next five years, according to U.S. Department of Commerce economists.

"Less sophisticated tools, especially cordless ones, will assume an even greater share of the overall market by the end of the decade as manufacturers hone their offerings to attract new power tool users in a better-defined and more sophisticated marketplace," economists predicted.

While a minuscule 0.6% increase is expected in 1987, long-range projections indicate that the growth rate will hover around 2.5% between 1987 and 1991. During 1986, shipments of power-driven hand tools increased 3%. However, "current" dollar value of $2.16 billion last year remained well below the 1980 "pre-recession" high of $2.3 billion, they reported.

To satisfy the growing consumer tool market predicted by government analysts, manufacturers are expected to continue developing new products such as the cordless screwdriver items introduced during 1986.

"Priced at around $20, these screwdrivers attract consumers who do not necessarily use power tools," researchers explained. In addition to offering higher quality, the new screwdriver and other cordless tools can be used longer without recharging and require shorter recharge periods.

"As the time required to recharge the tools has dropped, demand for cordless tools has risen," they said.

At the same time that manufacturers were courting beginner power tool users with easy-to-operate cordless products, they aimed other tools at "more skilled," but still non-professional, consumers. (According to researchers, 80% of the power hand tool market is considered "nonprofessional.")

"These items—such as sophisticated power drills, mitre boxes and table saws—exploit the demand for power tools beyond entry-level items such as basic drills and power saws," researchers said.

Economists predicted that domestic power tool manufacturers will continue to emphasize "near professional" tools to consumers in 1987, "while simultaneously increasing advertising budgets for consumer-related items."

Circle 137 on Reader Service Card

Power Handtools: Value of Manufacturer Shipments
Dollars in millions

1986*	$2,160
1985*	2,104
1984	2,016
1983	1,802
1982	1,795
1981	2,145
1980	2,299
1979	2,197
1978	1,929
1977	1,623
1976	1,141

*Estimate
Source: U.S. Dept. of Commerce

Outdoor equipment shipments expected to rise 1.6% annually

By Deane Evans
Special to NHCN

WASHINGTON — U.S. Department of Commerce economists predicted that U.S. shipments of lawnmowers and other garden power equipment will increase at about 1.6% annually for the next five years.

For domestic manufacturers and retailers, however, "modest" growth may not be enough to offset continuing escalation in product liability costs.

"Despite safety requirements, producers (of outdoor power equipment) are being named more frequently in lawsuits," researchers said. Such action makes adequate liability coverage increasingly important, but more illusive.

For example, Commerce Department researchers reported that some companies experienced insurance premium increases of 300% to 400%. Citing the case of Gilson's, a manufacturer of garden power equipment, researchers said premiums "soared from $350,000 to $950,000."

They also reported that some insurance companies are excluding blade accidents from coverage and said at least five companies were forced to operate without liability insurance.

Nevertheless, researchers reported a mood of "cautious optimism" for 1987.

"Industry forecasts show improvements in all product categories except walk-behind tillers," they reported.

WASHINGTON REPORT: Construction Outlook

Light fixture shipments reflect flat construction forecast

By Deane Evans
Special to NHCN

WASHINGTON — Reflecting a flat forecast for U.S. construction in 1987, shipments by U.S. lighting fixtures manufacturers should increase less than 1% this year, according to U.S. Department of Commerce economists.

Moreover, prospects for miniscule growth in 1987 are compounded by a five-year forecast of only 2% to 2.5% compound annual growth in demand for lighting fixtures.

Fortunately for home center retailers, almost all of the small increase in lighting fixture sales will be spurred by home construction and renovation of older homes.

"Expanding demand in the fast-growing building repair and renovation sector offers some promise for the industry," Commerce Department economists said. In addition, predictions of modest long-term gains which "mirror" construction forecasts could be improved by an aging population which "requires more lighting to carry out visual tasks," they said.

In future years, U.S. manufacturers should be shipping additional units for outdoor "high intensity" lighting " because of public interest in security lighting, and in additional nighttime activities," researchers predicted. Indoors, they expect consumers to buy lighting fixtures "to illuminate tasks rather than areas."

Domestic lighting fixture shipments for residential use increased 5.2% in 1986 to a value of $2.08 million, In 1985, residential lighting shipments rose a massive 22.4%.

On another electric lighting front, economists expect U.S. shipments of current-carrying wiring devices to increase about 3% in 1987.

"This assumes that residential construction will expand at a rate of about 5% and that renovation activity will remain healthy," they said.

Lighting Fixtures: Recent Performance and Forecast

In millions of dollars

	1984	1985[1]	1986[2]	1987[3]	Percent Change 1984-85	1985-86	1986-87
Lighting Fixtures							
Value of shipments	4,943	5,519	5,866	6,053	11.7	6.3	3.2
Value of imports	394	459	475	465	16.4	3.5	−2.1
Residential Lighting Fixtures							
Value of shipments	1,504	1,902	2,051	2,087	26.5	7.8	1.8
Commercial Lighting Fixtures	2,086	2,130	2,234	2,336	2.1	4.9	4.6
Lighting Equipment	1,353	1,487	1,581	1,630	9.9	6.3	3.1

[1]Estimated except for exports and imports.
[2]Estimated
[3]Forecast
SOURCE: U.S. Department of Commerce: Bureau of the Census, Bureau of Economic Analysis, International Trade Administration. Estimates and forecasts by ITA.

Prospects for miniscule growth in 1987 are compounded by a five-year forecast of only 2% to 2.5% compound annual growth in demand for lighting fixtures.

U.S. paint shipments to rise 3% in 1987

(Continued from page 166)

dollar value in 1986.

However, government analysts warned that the long-range picture is clouded.

"Continued improvement in demand is highly dependent upon developments in the construction and manufacturing industries," they said. In addition, "Competitive pressures from competing materials (vinyl siding, wood paneling, glass)" will impact the paints industry over the next five years, they predicted.

Adhesives and sealants, including "a broad range of consumer do-it-yourself products," however, are expected to increase at higher rates, according to economists. U.S. adhesive shipments are projected to grow a significant 8.3% in 1987. If the predicted growth materializes, it will mark the third consecutive year of increases exceeding 8%, they reported.

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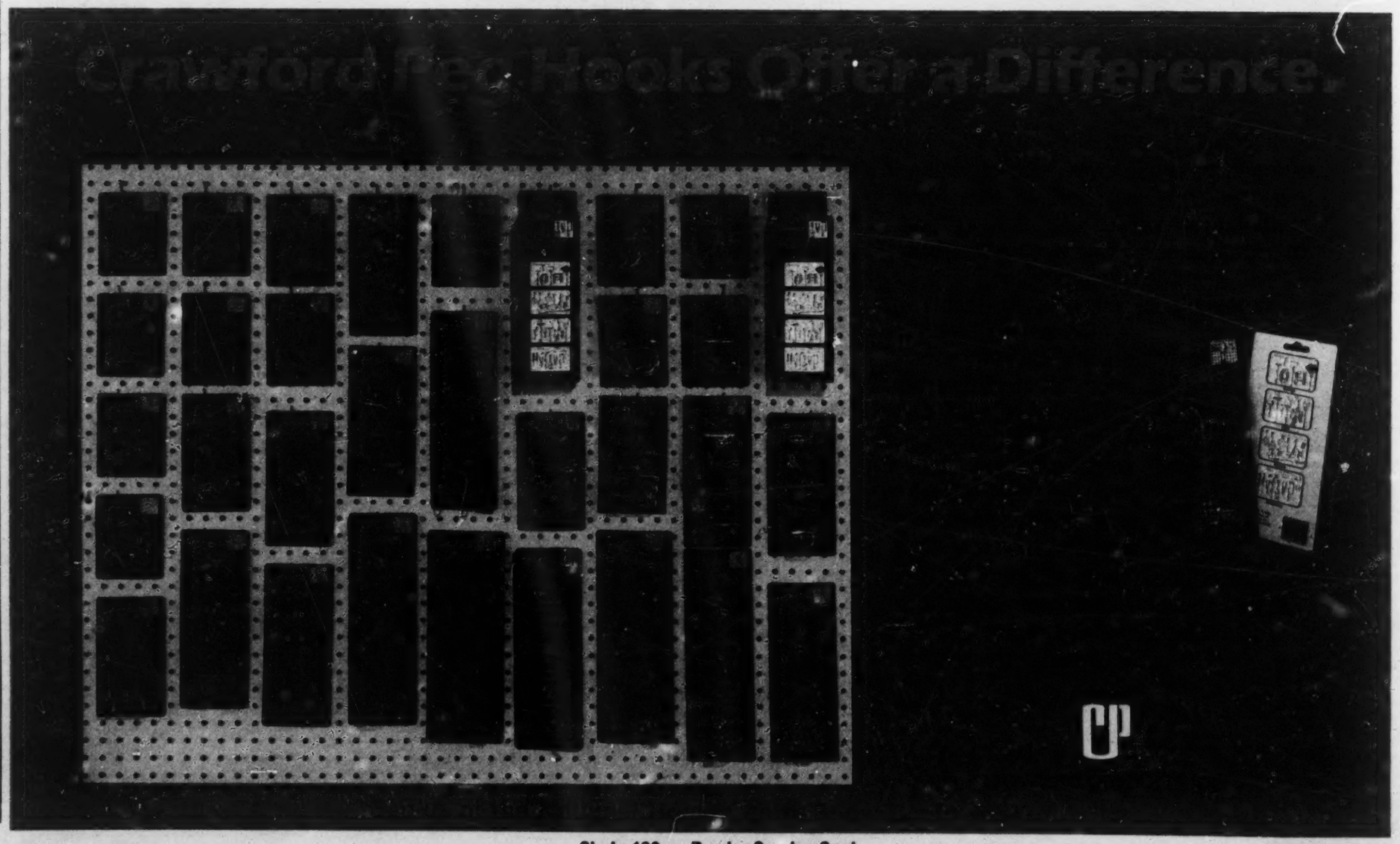

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Wood Products Shipments

In millions of dollars
Shows value of all products classified by industry

	1984	1985	1986*	1987*
Sawmills/Planning Mills				
Value of shipments	13,122	12,823	13,631	14,585
Value of imports	2,866	3,073	3,334	—
Hardwood Dimension & Flooring				
Value of shipments	1,289	1,348	1,440	1,541
Value of imports	167	201	251	—
Millwork				
Value of shipments	6,134	6,760	7,340	—
Value of imports	107	112	128	122
Wood Panel Products				
Value of shipments	6,051	6,075	6,495	—
Value of imports	710	720	790	765
Hardwood Plywood				
Value of shipments	1,501	1,345	1,305	1,305
Value of imports	531	528	580	560

*Esumate
Source: U.S. Department of Commerce

Home renovation will fuel 4% increase in '87 lumber demand, says Commerce

By Deane Evans
Special to NHCN

WASHINGTON — Housing repair and remodeling will fuel a 4% increase in demand for lumber this year, according to U.S. Department of Commerce projections.

Predicting "an increasing interest" in renovation of older homes, government economists said that lumber shipments should reach a value of $14.7 billion this year. Moreover, wood shipments are expected to continue to increase at about 3% annually for the next five years.

According to researchers, U.S. consumers spent almost $90 billion on repair and remodeling in 1986—a figure that has doubled since 1982—and renovation expenditures are expected to continue to increase.

"Nearly one-third of the nation's permanent residence owners are more than 45 years old, and this age group is more inclined to repair and remodel than to purchase new homes," they said.

Nevertheless, economists predicted that U.S. housing starts will remain steady, with both remodeling and new construction contributing to revenues for wood products' manufacturers and retailers. (More than 1.8 million units are projected for 1987.)

In addition, U.S. home buyers "have become more interested in wood construction, interiors and trim," according to the report.

Millwork will see a fifth consecutive year of growth in 1987, according to predictions. An increase in shipments of 3%, to $8 billion, is projected. Millwork shipments in 1986 reached a value of $7.7 billion—59% higher than in 1982. Sales of millwork products should continue to increase at 2% per year "if housing starts are between 1.6 million and 1.7 million units per year and renovation activity continues," economists said.

Prospects for growth in hardwood flooring are also dependent on a healthy housing construction and remodeling (as well as commercial construction) scenario. If Commerce Department predictions in these areas hold up, the demand for hardwood flooring should increase 3.7% in 1987. Continued construction growth is expected to produce an average increase of 4% in flooring shipments through 1991.

The value of hardwood flooring shipments reached $1.4 billion in 1986.

Wood panel product shipments topped $7 billion last year. The bulk of panel products were softwood plywood and veneer ($4.6 billion). Hardwood plywood accounted for $1.3 billion of the 1986 shipment value, with nonveneer structural panel adding $1 billion.

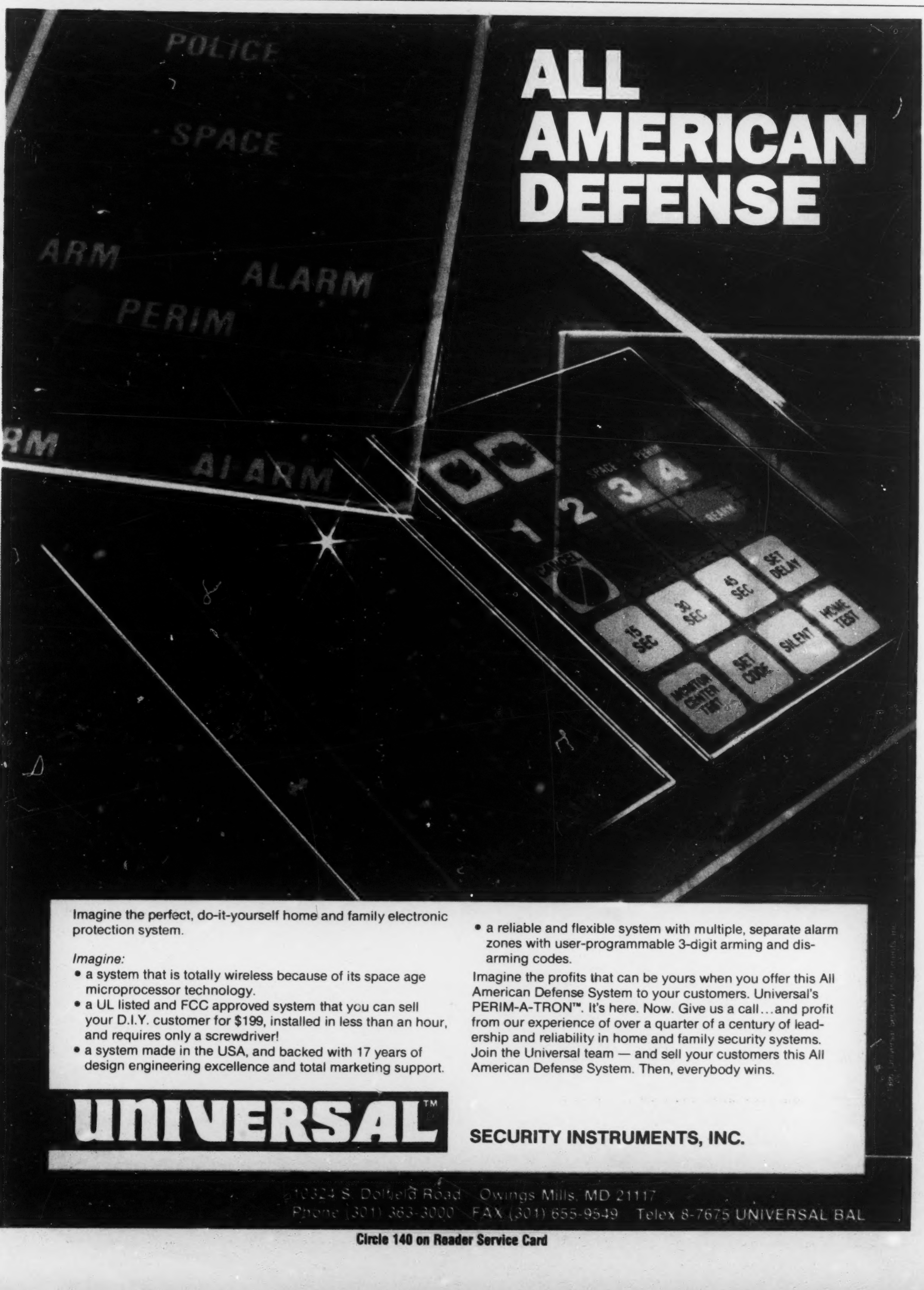
Economists predict that wood panel shipments will increase 1.1% in 1987. Nonveneer panel will account for most of the growth, increasing 8.2%. At the same time, hardwood plywood shipments are expected to decrease 2.6%.

According to economists, expanding demand in building repair and renovation will not offset the impact of "downturns" in major hardwood veneer markets. Over the next five years, the sector will continue to grow at the "historic" rate of 1% per year, economists predicted.

Future growth in shipments of softwood plywood and veneer are also expected to be "flat," they said. U.S. softwood panel shipments are projected to increase less than 1% in 1987. Any gains that do materialize will probably result from the repair and remodeling sector, "where annual growth has exceeded 10% in recent years," researchers reported.

Significantly, softwood plywood shipments were up a massive 9.1% in 1986 (even after adjustment for inflation). Shipments were $4.6 billion in real dollar value.

In contrast to the negative turnaround expected in the softwood panel sector, U.S. particle board shipments—up 8.6% last year—are expected to continue to grow at about the same rate (estimated at 8.2%) in 1987.



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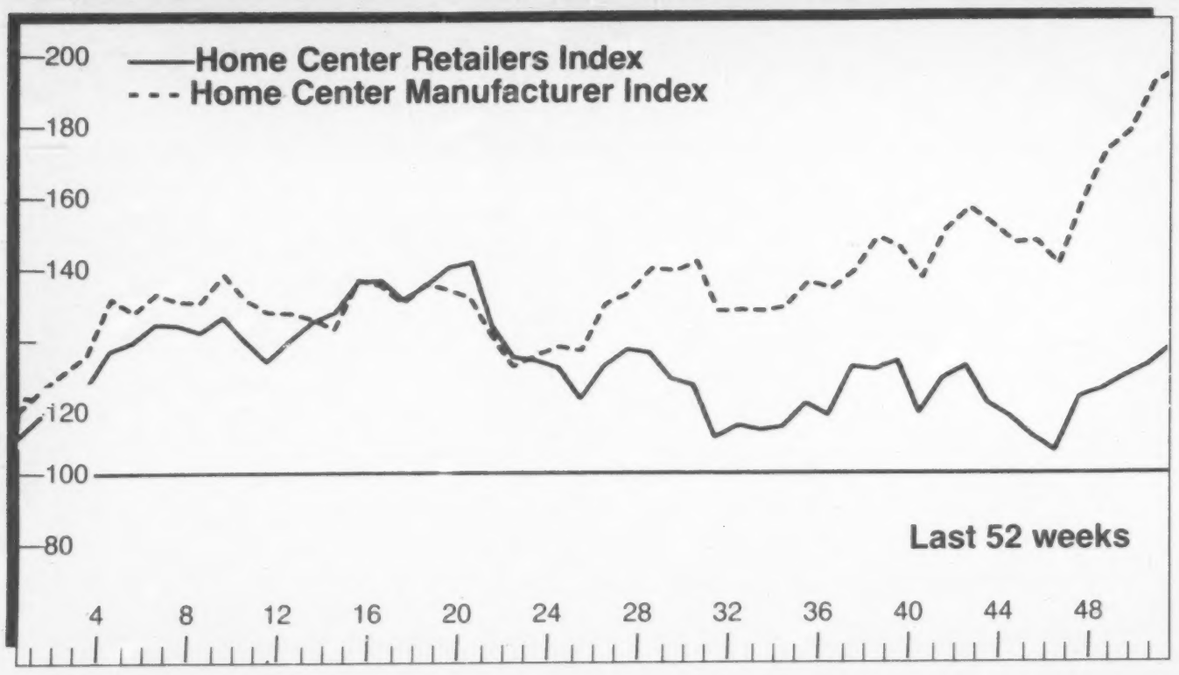
FINANCIAL NEWS

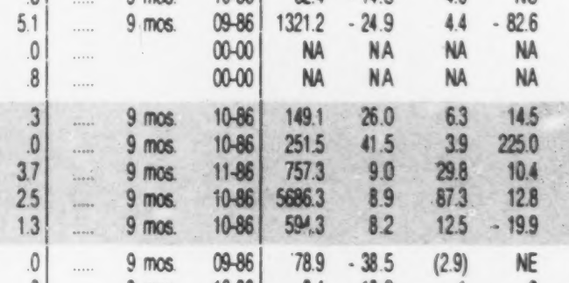


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
2-20-87	(100)	%	%
Natl Hardgoods ..... M	656	512.6	1.6
Natl Lumber ..... M	2,537	429.4	27.3
Hechinger A ..... M	12,745	322.5	3.7
Am Consum Prods ..... M	440	282.6	- 2.9
Supermkts Gen ..... N	31,368	275.1	14.2
Wolohan Lumber ..... M	3,088	199.4	10.8
Sears, Roebuck ..... N	138,982	192.9	17.6
Pay N Pak ..... N	5,507	185.5	10.4
Allegheny Int ..... N	6,899	183.6	6.2
Home Depot ..... N	17,783	178.0	1.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 2-20-87	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Manville Cp ..... N	2.63	31.3	12,851
Owens Corn ..... N	27.25	29.8	52,868
Natl Lumber ..... M	7.00	27.3	2,537
Waxman Ind ..... M	13.25	24.7	3,398
Sears, Roebuck ..... N	53.50	17.6	138,982
Stanline Inc ..... M	11.00	14.3	348
Supermkts Gen ..... N	34.25	14.2	31,368
K mart Cp ..... N	59.00	13.5	65,186
Wolohan Lumber ..... M	11.50	10.8	3,088
Pay N Pak ..... N	13.25	10.4	5,507
Losers	**$**	**%**	**(100)**
Svc Merchandise ..... M	7.38	- 6.3	28,060
Stanley Works ..... N	30.00	- 5.9	8,767
Boise Cascade ..... N	75.63	- 4.6	16,596
USG Corp ..... N	39.25	- 4.3	12,767
DeSoto Inc ..... N	41.75	- 4.0	847
La Pacific ..... N	36.00	- 3.7	22,685
Moore Handley ..... M	8.00	- 3.0	681
Am Consum Prods ..... M	8.50	- 2.9	440
Masco Corp ..... N	35.50	- 2.7	28,309
Potlatch Cp ..... N	72.25	- 2.4	3,054

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-20-87 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue Amt. $Mil	Latest Quarter: Revenue Chg. %	Latest Quarter: Net Income Amt. $Mil	Latest Quarter: Net Income Chg. %	Latest Quarter: E.P.S. Amt. $	Latest Quarter: E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Year-to-Date: Revenue Chg. %	Year-to-Date: Net Income Amt. $Mil	Year-to-Date: Net Income Chg. %	Year-to-Date: E.P.S. Amt. $	Year-to-Date: E.P.S. Chg. %
Retailers																													
Color Tile ..... M	30.00	.00	.0	30.00	30.00	33.00	21.00	0	.00	.09	-100.0	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	38.25	- .25	- .6	38.50	37.50	39.38	22.00	77	.10	.16	- 37.5	23.9	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	54.75	.75	1.4	56.50	53.00	60.75	45.25	20,194	4.86	2.77	75.5	18.6	2.80	5.1	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	10.50	.63	6.3	10.63	9.75	10.50	6.75	3,456	1.73	.91	90.1	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	21.00	.75	3.7	21.25	19.75	23.59	16.00	12,745	11.66	2.76	322.5	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.00	1.00	5.0	21.25	20.00	23.59	16.25	643	.39	.50	- 22.0	24.4	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	24.25	.38	1.6	25.00	22.50	25.00	14.13	17,783	7.06	2.54	178.0	32.8	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	43.25	1.13	2.7	43.25	40.25	47.63	36.63	10,468	3.68	2.27	62.1	13.9	1.60	3.7	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	59.00	7.00	13.5	59.50	50.38	59.50	37.13	65,186	5.04	2.36	113.6	25.3	1.48	2.5	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	30.38	1.38	4.7	30.88	27.13	41.50	22.50	12,691	3.20	1.76	81.8	20.7	.40	1.3	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	1.25	.00	.0	1.38	1.00	5.25	1.00	3,854	2.16	.93	132.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	8.00	.13	1.6	8.00	7.50	9.31	5.69	656	5.33	.87	512.6	19.0	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	7.00	1.50	27.3	7.25	5.75	7.00	4.00	2,537	4.50	.85	429.4	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	13.25	1.25	10.4	13.25	11.88	19.38	9.50	5,507	5.51	1.93	185.5	20.1	.40	3.0	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	23.75	1.88	8.6	24.25	21.00	27.50	15.88	16,051	4.63	1.78	160.1	19.5	.16	.7	.....	fiscal	11-86	405.6	7.2	11.0	- .9	.31	- 3.1	1527.7	10.0	42.4	11.3	1.22	8.9
Scotty's Inc ..... N	15.38	1.13	7.9	15.88	14.25	18.13	12.00	2,991	2.07	.78	165.4	19.0	.52	3.4	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	53.50	8.00	17.6	53.75	44.88	53.75	39.00	138,982	3.72	1.27	192.9	14.8	2.00	3.7	NEW	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	7.38	- .50	- 6.3	8.38	6.88	15.00	7.38	28,060	8.42	4.93	70.8	NE	.08	1.1	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	23.75	1.25	5.6	24.25	22.13	27.00	19.38	4,553	4.02	1.85	117.3	19.3	.58	2.4	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	34.25	4.25	14.2	36.50	29.38	36.50	22.50	31,368	8.14	2.17	275.1	20.1	.28	.8	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	4.00	.00	.0	4.25	3.88	7.00	3.25	49,213	2.07	1.67	24.0	10.8	.00	.0	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	11.50	1.13	10.8	11.50	10.38	11.50	6.63	3,088	5.27	1.76	199.4	12.8	.20	1.7	NEW	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	30.38	1.25	4.3	30.50	27.50	43.88	20.75	26,817	4.55	2.48	83.5	21.1	.32	1.1	NEW	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.39	- 15.2	3573.6	32.6	48.6	- 16.5	.82	- 18.0
Wholesalers																													
Moore Handley ..... M	8.00	- .25	- 3.0	8.50	7.38	19.25	6.75	681	2.71	1.29	110.1	14.5	.00	.0	.....	9 mos.	09-86	23.5	35.8	.3	200.0	.09	- 18.2	64.4	24.1	1.0	100.0	.44	29.4
Lewis Palmer ..... M	8.38	.63	8.1	8.38	7.63	9.88	7.25	1,787	4.56	2.01	126.9	26.2	.28	3.3	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	11.00	1.38	14.3	11.75	9.50	12.13	7.84	348	2.05	.79	159.5	12.0	.32b	2.9	.....	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers																													
Allegheny Int ..... N	15.00	.88	6.2	16.75	14.00	25.25	11.38	6,899	6.41	2.26	183.6	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Consum Prods ..... M	8.50	- .25	- 2.9	9.00	8.25	9.88	8.50	440	4.40	1.15	282.6	12.3	.00	.0	.....	9 mos.	09-86	9.2	15.0	.3	200.0	.34	161.5	25.8	12.7	.5	150.0	.55	205.6
Am Standard ..... N	49.75	3.25	7.0	49.88	45.50	49.88	36.00	8,044	2.42	1.33	82.0	9.4	1.60	3.2	.....	fiscal	12-86	768.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	14.13	.00	.0	14.38	14.00	14.75	10.00	925	1.34	.64	109.4	13.0	.00	.0	.....	6 mos.	10-86	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	40.25	2.00	5.2	41.88	36.50	41.88	24.25	1,445	2.38	1.38	72.5	15.8	.84	2.1	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.53	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	20.75	.63	3.1	21.75	20.00	25.25	14.50	26,993	4.65	2.74	69.7	45.1	.40	1.9	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	75.63	- 3.63	- 4.6	79.88	74.25	80.50	50.50	16,596	5.69	2.67	113.1	22.8	1.90	2.5	.....	fiscal	12-86	969.3	8.6	31.9	67.9	1.04	70.5	3790.5	1.4	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	38.00	- .25	- .7	38.88	36.25	38.88	24.63	1,788	.94	.63	49.2	12.6	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl ..... N	37.88	.25	.7	39.50	35.25	39.63	22.50	43,352	4.61	2.63	75.3	18.2	.64	1.7	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	41.75	- 1.75	- 4.0	43.75	40.75	43.75	34.25	847	1.77	.67	164.2	50.9	1.40	3.4	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	42.00	1.75	4.3	42.00	40.00	42.63	30.75	5,290	1.71	1.10	55.5	NE	1.40	3.3	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	5.13	.00	.0	5.19	5.13	5.63	4.38	97	.25	.20	25.0	11.9	.10	2.0	.....	fiscal	09-86	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacific ..... N	47.00	- .13	- .3	47.88	44.00	48.25	28.00	42,286	4.07	2.04	99.5	17.5	1.00	2.1	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Ireiico Corp ..... N	24.25	.25	1.0	25.13	23.63	25.50	17.38	5,956	2.87	1.96	46.4	15.3	1.00b	4.1	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	36.00	- 1.38	- 3.7	36.88	34.63	36.88	22.09	22,685	5.98	2.35	154.5	20.9	.80b	2.2	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	47.75	3.25	7.3	48.88	44.38	48.88	19.13	2,401	.77	.30	156.7	NA	1.25	NA	NEW	fiscal	12-86	542.2	- 9.9	23.3	14.2	.48	9.1	2511.7	7.5	133.3	210.7	3.21	494.4
Manville Cp ..... N	2.63	.63	31.3	3.38	1.88	8.88	1.63	12,851	5.35	2.69	98.9	1.1	.00	.0	NEW	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	35.50	- 1.00	- 2.7	36.50	33.75	36.75	23.50	28,309	2.20	1.08	103.7	19.1	.36	1.0	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	13.75	.00	.0	14.00	13.75	19.75	12.00	67	.26	.22	18.2	15.3	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	31.75	.25	.8	33.13	31.00	36.75	24.00	1,351	1.18	1.04	13.5	14.6	.84	2.6	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.25	6.25	29.8	28.63	21.13	28.63	8.88	52,868	14.11	8.78	60.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	17.13	1.13	7.0	17.25	15.63	17.25	10.00	2,731	3.40	2.12	60.4	19.7	.12	.7	.....	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	38.88	- .13	- .3	39.50	36.75	40.00	17.75	4,220	7.03	3.92	79.3	14.8	.88	2.3	.....	fiscal	12-86	60.8	- 18.8	8.4	1300.0	1.40	1300.0	289.1	- 11.1	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	72.25	- 1.75	- 2.4	73.50	70.75	75.50	38.38	3,054	2.30	1.28	79.7	14.5	1.68	2.3	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.38	1.13	3.4	34.88	33.00	35.13	22.75	9,512	2.11	1.33	58.6	14.9	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	36.3	221.2	.81	237.5	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	31.38	.50	1.6	31.38	30.88	31.50	11.88	8,610	7.01	8.63	- 18.8	NM	.00	.0	.....	fiscal	12-86	169.9	.4	15.1	NE	1.06	NE	631.5	- 9.8	7.2	NE	.17	NE
Stanley Works ..... N	30.00	- 1.88	- 5.9	31.88	29.50	33.50	23.19	8,767	2.10	.96	118.8	16.1	.76	2.5	NEW	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.63	.00	.0	20.88	19.75	24.31	15.50	886	.89	.75	18.7	16.0	.62b	3.0	NEW	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	39.25	- 1.75	- 4.3	40.88	38.25	46.50	28.88	12,767	2.01	1.64	22.6	11.1	1.12	2.9	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim ..... N	55.50	2.50	4.7	56.00	51.50	56.00	39.50	8,752	2.76	1.52	81.6	11.9	1.40	2.5	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	13.25	2.63	24.7	13.25	10.00	13.25	6.34	3,398	10.80	4.17	159.0	13.8	.08	.6	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	49.00	1.50	3.2	49.50	45.50	50.13	30.50	36,245	2.78	1.91	45.5	25.7	1.30	2.7	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219